**OFFICE OF
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DENISE L. NAPPIER**

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NAPPIER CRITICIZES LACK OF REGULATORY ACTION, SAYS STRICTER OVERSIGHT, GREATER CORPORATE RESPONSIBILITY LONG OVERDUE, ESSENTIAL TO RESTORE INVESTOR CONFIDENCE

Connecticut pension fund had previously sold all WorldCom stock; will seek to recover any losses from$15 million in bond holdings

Connecticut Treasurer Denise L. Nappier said today that the lack of action by regulatory authorities has once again contributed to thousands of people losing jobs and substantial retirement savings, with the revelations of accounting fraud by WorldCom, just months after the collapse of Enron. Nappier, a leading advocate for corporate accountability and responsibility, said the latest corporate accounting debacle underscores the issues she's been fighting for.

"Two years ago, I urged the Securities and Exchange Commission (SEC) to get tough and adopt regulations that would prevent companies from providing lucrative consulting contracts to the same accounting firms responsible for their corporate audit. That prohibition never came, and the fiascos at Enron and WorldCom followed," Nappier said. "It's long past time for the Congress, the SEC and other regulatory authorities to put a stop to the inherent conflict of interest in that practice, once and for all. Investors must be able to rely on the veracity of financial information they receive."

Treasurer Nappier, principal fiduciary of the $20 billion Connecticut Retirement Plans and Trust Funds, also pointed out that for the past two years, WorldCom management did not give shareholders an opportunity to vote on their selection of an auditor. The company's audit firm was Arthur Andersen, recently convicted for their actions at another client, Enron.

"Anderson received nearly three times as much in fees for their consulting work (73%) at WorldCom than for their audit work (27%). That has a familiar ring to it – and it sounds like Enron," Nappier said. "If the SEC regulations we sought were adopted, there could have been a different audit firm checking WorldCom's books – and much of the current harm might have been avoided."

"The deplorable corporate behavior by WorldCom reminds us how critical integrity and honesty are to the vitality of the market and the investment industry. Once shaken,

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confidence does not return easily. It will take concerted action by both regulators and the corporate community to restore investor confidence," Nappier said.

Nappier has advocated and introduced shareholder resolutions on key corporate governance issues, including board and audit committee independence, executive compensation, board diversity, and election of directors at nearly 50 major corporations during the past two years, after the development of comprehensive proxy voting guidelines in 2000. In a number of cases, agreements have been reached with those corporations to move toward substantial corporate governance reforms.

Among the reforms that Nappier has advocated is the prohibition on companies using the same accounting firm for audit and consulting work. Nappier had urged the Securities and Exchange Commission to establish the prohibition two years prior to the Enron collapse, and earlier this year supported a shareholder resolution at the annual meeting of the Walt Disney Company to achieve the same result. The company initially opposed the prohibition, but agreed to the change in policy when its annual meeting was held in Hartford in February. Since then, a number of leading companies, including Apple Computer, Bristol-Myers-Squibb, Johnson & Johnson, Viacom and McGraw Hill, have followed suit and are taking action to limit non-audit work by their auditors.

Nappier also said she will be urging Attorney General Richard Blumenthal to pursue "any and all legal remedies" to recover pension funds lost as a result of accounting fraud by WorldCom. Connecticut pension fund managers had sold all WorldCom stock holdings last month (May 2002) due in part to a poor investment outlook, Nappier said, but the fund currently holds bonds purchased for $15 million – less than 1/10 of 1 percent of the total pension fund. The value of those bonds has been substantially reduced by the accounting revelations, and Nappier will be meeting with Blumenthal to pursue recovery of the funds.

"A few short years ago advocates calling for greater corporate responsibility, including me, were often voices in the wilderness. Today, there is no bigger issue in the investment community than the needs for greater accountability by corporate management to shareholders, more stringent regulatory oversight of corporate accounting practices, and increased corporate commitment to responsible practices and policies," Nappier said.

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